LARRY STONE

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Panel Two: Revisiting GASB 45

Staring Down the Barrel of a GASB 45



A Local Perspective

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5 KEY BULLETS



- II. Claim/Financial Experience Medical and Other Plans
- List of all plans available to Town and School employees and retirees

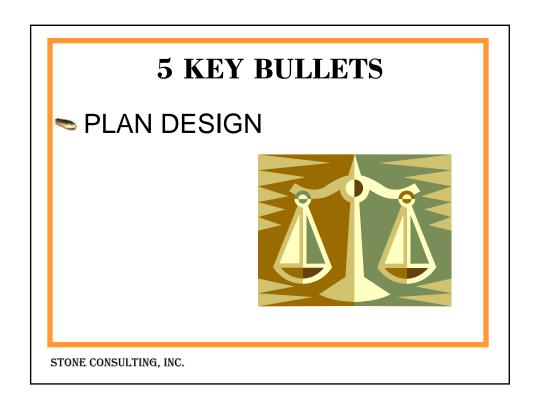
Under age 65 Medicare-eligible

- Type of plan (HMO, Indemnity, PPO, etc.)
- Premium rates or "working rates" for each plan (2007, 2006, 2005); include effective dates of rate changes
- Summaries of claims paid for each self-insured medical plan in most recent two years, shown separately for retirees and spouses (by 5 year brackets broken down by gender):

Under age 65

Medicare-eligible

- Enrollment in each plan by age group, for each year of claims experience
- Summary of all administrative charges incurred, including charges for claims administration, stop-loss premiums paid, utilization review fees, etc.



5 KEY BULLETS SECTION 18 STONE CONSULTING, INC.





BULLET #1: DATA



- Municipality/Public Entity
- **■** School Department
- Retired Teachers
- Vendors

Start Early!

- Data Quality
- Missing/Incomplete Data, e.g., claims



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BULLET #2: PLAN DESIGN

"Over the past two decades ... employers offering retiree health benefits declined ... from 66% in 1988 to 35% in 2006....

...one out of five large, private sector employers who do offer retiree health care require new retirees to pay the full cost."

The Retiree Health Care Challenge, prepared by Hewitt Associates for the TIAA-CREF Institute, November 2006 FAS 106 effective 1993

BULLET #2: PLAN DESIGN



- co-insurance
- co-pays
- individual vs. family

Restrict Benefit Eligibility

vested terminated



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BULLET #2: PLAN DESIGN

- Retirees are not under collective bargaining
- Take teachers out of GIC
- Restrict plan options
 - Rebalance cash compensation and benefits: total rewards perspective



BULLET #3: SECTION 18

of MGL Chapter 32B

Requires members to enter Medicare (if eligible)

EXAMPLE:

65 year old retiree

™Medicare: \$55k to \$79k

™Non-Medicare: \$198k to \$235k

Solution Shout 28% of cost ■

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BULLET #4: FUNDING

- 💙 Home Rule Petition
- Separate Trust Fund Agreement
- Funding Sources

e.g., enterprise funds, Medicare Part D

- > Integrate with Pension Funding
- Allocation of Costs

e.g., by department



BULLET #5: COMMUNICATIONS

INFORM 1/1/1999 Retirement Board, HR, Actuary, Ω

Town Administrator

EDUCATE 2000 Legislature

2005

Finance Committee

Ω **Town Meeting**

> **Funding Home Rule Petition**

Study Committee

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ACT

SUMMARY

DATA

> PLAN DESIGN

SECTION 18

SECTION

COMMUNICATIONS

Most important: React!!



Notes